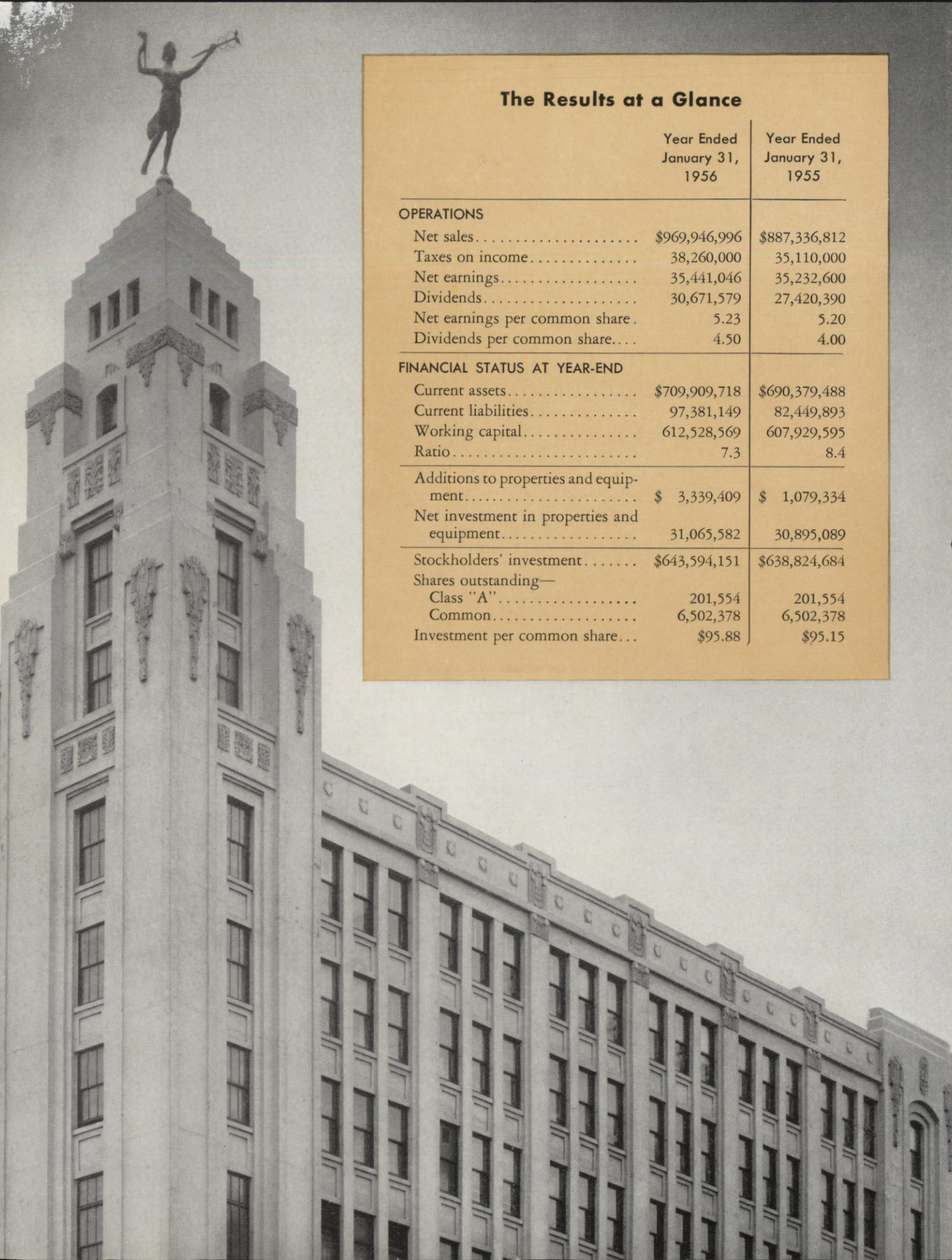


MONTGOMERY WARD

Annual Report
1955

FOR THE FISCAL YEAR ENDED JANUARY 31, 1956



The Results at a Glance

	Year Ended January 31, 1956	Year Ended January 31, 1955
OPERATIONS		
Net sales	\$969,946,996	\$887,336,812
Taxes on income	38,260,000	35,110,000
Net earnings	35,441,046	35,232,600
Dividends	30,671,579	27,420,390
Net earnings per common share ..	5.23	5.20
Dividends per common share....	4.50	4.00
FINANCIAL STATUS AT YEAR-END		
Current assets	\$709,909,718	\$690,379,488
Current liabilities	97,381,149	82,449,893
Working capital	612,528,569	607,929,595
Ratio	7.3	8.4
Additions to properties and equip- ment	\$ 3,339,409	\$ 1,079,334
Net investment in properties and equipment	31,065,582	30,895,089
Stockholders' investment	\$643,594,151	\$638,824,684
Shares outstanding—		
Class "A"	201,554	201,554
Common	6,502,378	6,502,378
Investment per common share...	\$95.88	\$95.15

84th Annual Report

FOR THE FISCAL YEAR ENDED JANUARY 31, 1956

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Montgomery Ward & Co.
INCORPORATED

DIRECTORS

John A. Barr—*Chairman of the Board*

Sewell Avery	Alexander Rittmaster III
Philip R. Clarke	C. H. Shaver
Percy B. Eckhart	Solomon A. Smith
Bernice Fitz-Gibbon	Louis E. Wolfson

OFFICERS

John A. Barr	<i>Chairman and President</i>
Chester W. Anderson	<i>Vice-President</i>
Drummond C. Bell	<i>Vice-President</i>
George H. Kleisner	<i>Vice-President</i>
Joseph C. Kracht	<i>Vice-President</i>
James A. Webber	<i>Vice-President</i>
Howard S. Kambestad	<i>Vice-President and Treasurer</i>
William F. Otterstrom	<i>Controller</i>
Charles J. Barnhill	<i>Secretary</i>
John M. Clark	<i>Assistant Treasurer</i>
David L. Dickson	<i>Assistant Secretary</i>
William F. Robinson	<i>Assistant Secretary</i>

TRANSFER AGENTS

The Northern Trust Company, Chicago, Ill.
J. P. Morgan & Co. Incorporated, New York, N.Y.

REGISTRARS

The First National Bank of Chicago, Chicago, Ill.
Bankers Trust Company, New York, N.Y.

MONTGOMERY WARD & CO.

INCORPORATED

TO OUR STOCKHOLDERS:

For Montgomery Ward & Co., 1955 was a year of progress.

Sales for the fiscal year ended January 31, 1956 were \$969,946,996, compared with \$887,336,812 for the previous year, an increase of 9.3%. This was a reversal of the downward trend in sales which started in 1951.

Earnings for the year were \$35,441,046, equivalent to \$5.23 per share of common stock, compared with \$35,232,600, or \$5.20 per share, the previous year. The second half earnings were thirteen cents per share higher, whereas the earnings during the first six months were ten cents per share less than for the corresponding period the year before.

The improvement in the volume of business during the first six months continued at an accelerated pace in the latter half of the year. Sales, which were 5.5% higher than the corresponding period of the previous year during the first six months, were 12.5% higher during the last half of the year.

Three major factors have contributed to the company's improved performance. First, the general economy has been strong with employment continuing at a high level. Second, the merchandising and promotional effort in the retail stores has been improved. Third, the employees have worked with increased enthusiasm and earnestness.

We expect the corporation's improvement and progress to continue during the current year.

In the mail order division, a substantial number of new catalog stores of improved design will be opened. We will continue to improve the catalogs and to broaden their distribution. An analysis is being made

of the various methods and procedures followed in handling mail orders with the objective of achieving better service and lower costs.

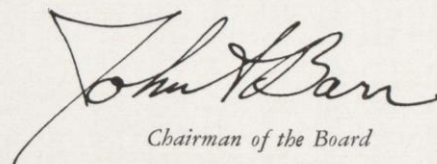
In the retail division, various steps are being taken to improve the performance of our stores. The stores will employ more effective merchandising methods, some stores will be air conditioned, many stores will be redecorated, and the fixtures used for displaying merchandise will be improved. Our study of new store locations is being continued, and we hope for specific developments during the year.

The value of our merchandise offerings to customers will be maintained diligently, with particular emphasis on quality and fashion.

The new year is starting out well with gross sales in February showing an increase of 18% over February 1955. The earnings outlook appears satisfactory, although earnings will be affected by further increases in business expenditures generally. These increases include higher transportation charges, rising state and local taxes, higher wage rates, and expenditures which must be made to improve many of our properties.

A more detailed report of the company's operations will be found on the following pages.

Respectfully submitted,



Chairman of the Board

March 19, 1956

REVIEW OF OPERATIONS

SALES TREND UP

Both the retail store and mail order divisions contributed to the increase in sales of 9.3% over the preceding year. Retail store sales were approximately double mail order sales.

Each quarter was better than the corresponding quarter of the year before, with the greatest improvement in the last two quarters:

	Net Sales		Percent Improvement
	1955	1954	
1st Quarter	\$200,303,379	\$189,405,295	5.8
2nd Quarter	222,788,648	211,712,823	5.2
3rd Quarter	260,862,634	229,833,936	13.5
4th Quarter	285,992,335	256,384,758	11.5
Fiscal Year	\$969,946,996	\$887,336,812	9.3

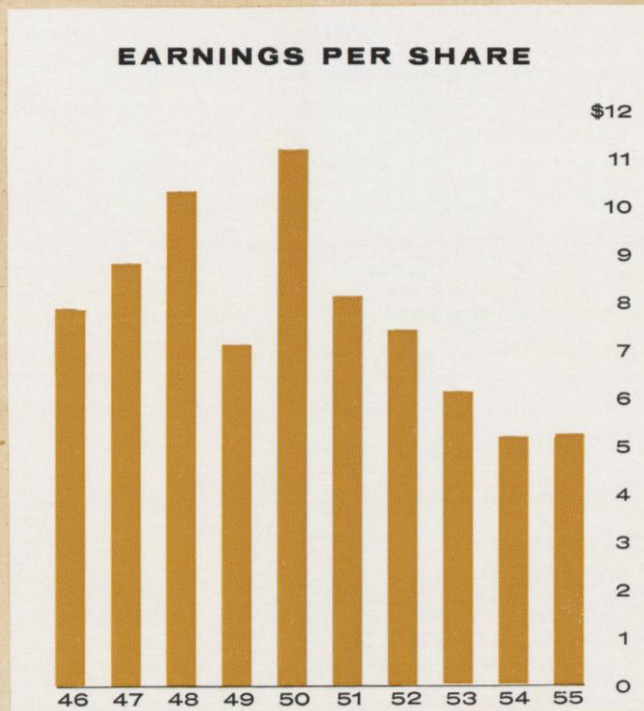
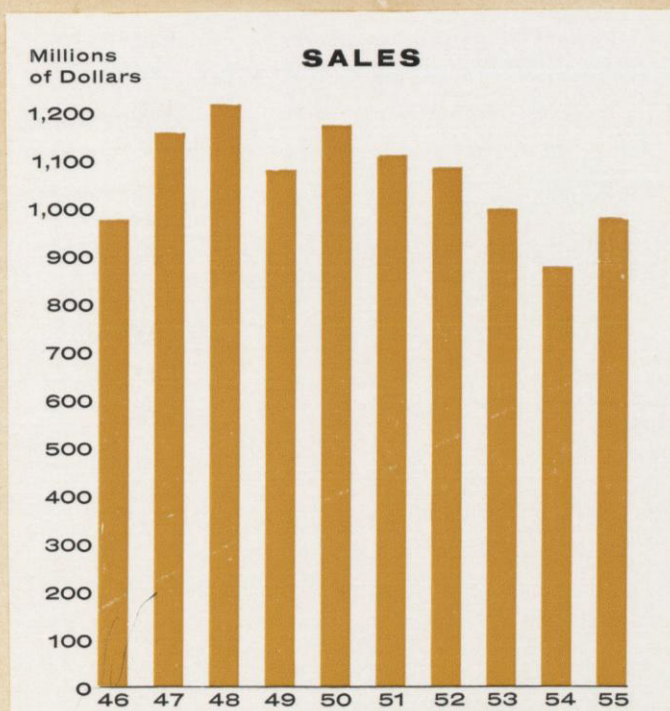
STORE DISPLAY IMPROVED

Considerable emphasis was placed on improving the arrangement and presentation of merchandise in

the retail stores. A new counter top treatment was developed to permit a more effective use of the available cubic area for presenting a broader selection of merchandise. This is now being installed in all stores. Display properties and decorations to create an attractive selling atmosphere during seasonal and sales events were improved and used more extensively. Some progress also has been made in installing newly designed display equipment which shows a greater assortment of merchandise and aids the customer in making a purchase. The major effect of these improvements is expected to be felt this year.

CATALOG EFFORTS EXPANDED

Improved sales in the mail order branch reflected substantial increases in catalog promotional effort. The number of major catalogs was increased from seven to nine, and during the second six months catalogs were distributed to about 12% more customers





Wards management team was greatly strengthened during the year both by additions and by promotions from within. Here Chairman Barr confers with some of his top officers. From the left: William F. Otterstrom, controller; Howard S. Kambestad, vice president and treasurer; Joseph C. Kracht, vice president in charge of retail stores; John A. Barr.

than the year before. The catalogs were made more attractive through more generous use of color pages, utilization of live models in the presentation of fashion merchandise and the grouping of related merchandise such as fashion accessories in the illustrations.

Constant research is carried on to determine more effective means of distributing a greater number of catalogs to produce a larger profit return. In comparison with the previous year, approximately \$4,000,000 more was spent for catalog improvement and wider distribution. Since much of this disbursement applied to catalogs issued in the latter part of the year, the results will not be fully realized until 1956.

CATALOG STORES INCREASED

Looking toward greater sales, 23 new catalog stores and four new metropolitan phone units have been opened since August 1, 1955. Three of the new catalog

stores are in Alaska—at Anchorage, Fairbanks and Juneau.

Early results from these new sales outlets are encouraging. The program of opening additional catalog stores will be continued through 1956.

DIVIDENDS RAISED

In November, the Board of Directors increased the regular dividend rate on the common stock to \$1.00 per quarter. The rate during each of the first three quarters was 75 cents per share. An extra dividend of \$1.25 made a total payment of \$4.50 for the year. This compares with \$4.00 in 1954, \$3.50 in 1953 and \$3.00 in 1952.

STOCKHOLDERS' INVESTMENT UP

The stockholders' investment in the company at the end of the fiscal year, represented by capital stock and retained earnings, was \$643,594,151, an increase of \$4,769,467 over the preceding year.



Joseph C. Kracht, vice president in charge of retail stores (center) confers with two of his principal associates on a store inspection, L. O. Naylor, retail merchandising manager (left) and J. T. Rohwer, retail operating manager.

Stockholders' investment per share of common stock was \$95.88, compared with \$95.15 the year before.

WORKING CAPITAL STRONG

Working capital on January 31, 1956, after deducting regular and extra dividends paid in January, amounted to \$612,528,569 compared with \$607,929,595 at the end of the preceding fiscal year.

Current assets were \$709,909,718 against current liabilities of \$97,381,149. This gave the company a 7.3 to 1 ratio of current assets to current liabilities.

TIME PAYMENT ACCOUNTS RISE

Customers' time payment accounts of \$191,518,469, as compared with \$154,790,687 a year ago, reflected the increased sales of home furnishings and other merchandise traditionally sold on credit terms. The availability of credit as a method of purchase was emphasized in catalogs, newspaper advertising, circulars and other promotional material. Increased buying in the retail stores was further encouraged by the introduction of a Credit Identification

Card plan which enables a customer with a charge account to make purchases with greater ease and convenience.

INVENTORIES INCREASED

As sales increased during the fall period, prompt deliveries of many lines of merchandise became more difficult because of strikes experienced by some of our suppliers, generally low inventories at manufacturing levels, shortage of skilled labor and lack of some raw materials.

The need for broader merchandise coverage in our stores, combined with the upward sales trend, slower deliveries and the desirability of price protection, required a substantial increase in our current inventory and commitment position.

Merchandise stocks, consequently, were \$262,625,068 at the end of the year, compared with \$201,290,291 a year ago. Orders for future delivery of merchandise were \$107,000,000, an increase of \$44,000,000 over the year before.

CASH AND SECURITIES LOWER

On January 31, 1956, cash and securities were \$241,482,776, compared with \$327,215,778 a year before. This reduction resulted principally from the use of approximately \$104,000,000 to finance increased accounts receivable and larger merchandise inventories.

COMMON STOCK SPLIT PROPOSED

At the November, 1955 meeting, the Board of Directors voted to recommend to stockholders that the company's common stock be split on a 2-for-1 basis. Stockholders will vote on this proposal at the annual meeting on April 27, 1956. The purpose of this proposed stock split is to obtain a broader distribution of the company's shares.

LONG TERM LEASE OBLIGATION

In connection with the operation of the retail stores, catalog stores and mail order business the company has 1,728 leases. The minimum rental for which the company is obligated to the landlords under these leases for the fiscal year 1956 is approximately \$9,148,000. The total minimum rentals to the

expiration of the leases, or to earlier cancellation dates, amount to approximately \$44,123,000. The company has renewal privileges under many of the leases but is not obligated beyond the year 1987 at any location.

LABOR RELATIONS

Last spring, the company signed contracts with the Teamsters Union covering the employees at each of the nine mail order houses. Employees in seventy-nine retail stores, factories and other branches also are represented by various unions including the Teamsters, the Retail Clerks, the United Steelworkers and the Machinists Unions.

On the whole, the company enjoyed amicable relations with the unions. There were no work stoppages during the fiscal year. However, on February 14, 1956, 200 of the employees at Ward's factory at Springfield, Illinois went on strike in support of their union's demand that all employees be required to join the union as a condition of employment. The company rejected this demand, and the employees returned to work on March 1, 1956.

Wards opened 23 new catalog stores and 4 new metropolitan phone units during the latter part of the year. Opening day of the Juneau, Alaska, catalog store (below) attracted hundreds of shoppers. Other Alaskan catalog stores were opened in Anchorage and Fairbanks.



Statement of Financial Condition

January 31, 1956

Current Assets:

Cash	\$ 20,420,631	
U.S. Government, State and Municipal securities, at cost	221,062,145	
Receivables, principally time payment accounts, less reserves for doubtful accounts and unearned carrying charge income of \$13,072,684	189,725,601	
Merchandise inventories, priced at the lower of cost or market ..	262,625,068	
Supply inventories and prepaid catalog costs	16,076,273	
Total current assets		\$709,909,718

Current Liabilities:

Accounts payable	37,144,363	
Due customers	7,312,913	
Accrued expenses	17,793,880	
Federal taxes on income	35,129,993	
Total current liabilities		97,381,149

Working Capital	612,528,569
-----------------------	-------------

Properties and Equipment, at cost:

Land	6,823,503	
Buildings, less depreciation reserves of \$26,095,113	14,027,830	
Fixtures and equipment, less depreciation reserves of \$16,740,557 ..	8,481,181	
Leasehold improvements, less amortization	1,733,068	
Total properties and equipment		31,065,582

Total Net Assets	\$643,594,151
------------------------	---------------

Stockholders' Investment:

Class "A" Stock, no par value—		
Authorized 205,000 shares non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value	20,155,400	
Common Stock, no par value—		
Authorized 10,000,000 shares; issued 6,502,378 shares, at stated value. (The board of directors has recommended for stockholder approval an increase in authorized common stock to 20,000,000 shares and a 2-for-1 stock split on the shares issued. No change in the total stated value is proposed.) ..	211,231,385	
Earnings reinvested in the business	412,207,366	
Total stockholders' investment		\$643,594,151
Investment per share of common stock		\$95.88

Statement of Earnings

	Year Ended January 31, 1956	Year Ended January 31, 1955
Net Sales.....	\$969,946,996	\$887,336,812
Costs and Expenses:		
Cost of merchandise sold.....	662,488,863	604,932,105
Wages and salaries.....	160,521,568	150,354,457
Property, social security, and state taxes.....	12,764,723	11,503,385
Rents.....	10,916,476	10,665,183
Repairs and maintenance.....	3,386,435	2,698,998
Depreciation and amortization.....	3,081,225	3,073,849
Other expenses, net.....	43,086,660	33,766,235
Total costs and expenses.....	896,245,950	816,994,212
Earnings before taxes on income.....	73,701,046	70,342,600
Provision for Federal taxes on income.....	38,260,000	35,110,000
Net Earnings.....	\$ 35,441,046	\$ 35,232,600
Earnings per share of common stock.....	\$5.23	\$5.20

Statement of Earnings Reinvested

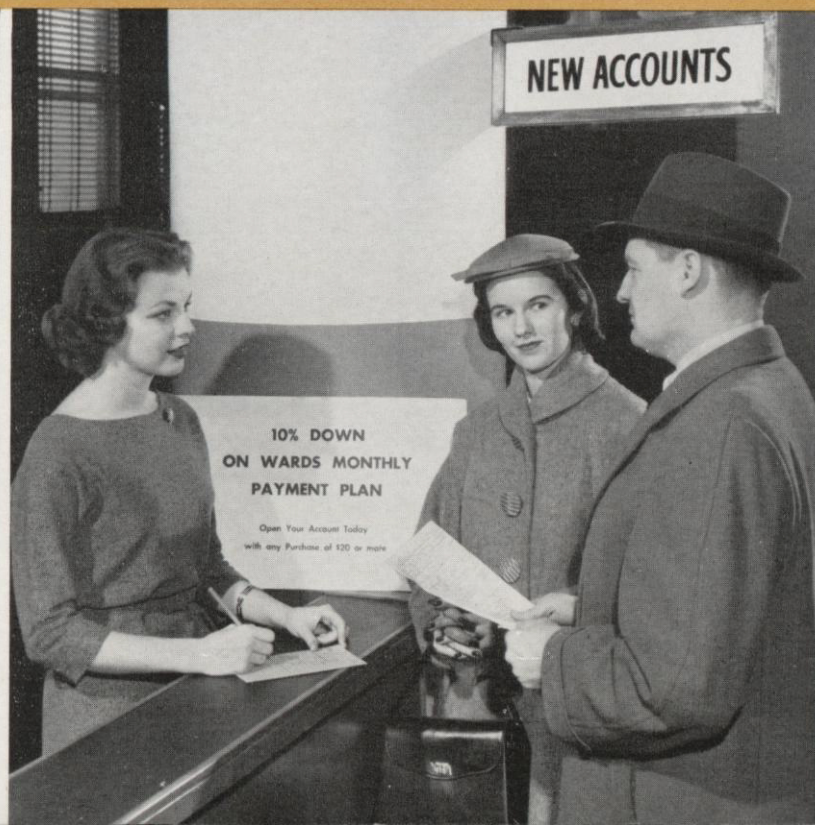
	Year Ended January 31, 1956	Year Ended January 31, 1955
Balance at beginning of year.....	\$407,437,899	\$389,377,704
Reserve adjustments applicable to prior years.....	—	10,247,985
Net Earnings.....	35,441,046	35,232,600
Total.....	442,878,945	434,858,289
Cash Dividends:		
Class "A" stock—\$7.00 per share.....	1,410,878	1,410,878
Common stock—\$4.50 per share in fiscal 1955 and \$4.00 per share in fiscal 1954.....	29,260,701	26,009,512
Total.....	30,671,579	27,420,390
Balance at end of year.....	\$412,207,366	\$407,437,899

Statement of Changes in Working Capital

	Year Ended January 31, 1956	Year Ended January 31, 1955
Working Capital at beginning of year	\$607,929,595	\$587,592,514
Additions:		
Net earnings for the year	35,441,046	35,232,600
Depreciation and amortization expenses charged against operations but not requiring cash	3,081,225	3,073,849
Reserve adjustments applicable to prior years	—	10,247,985
Proceeds from sale of properties and equipment	87,691	282,371
Total additions	38,609,962	48,836,805
Deductions:		
Dividends paid	30,671,579	27,420,390
Additions and improvements to properties and equipment	3,339,409	1,079,334
Net increase in working capital	4,598,974	20,337,081
Working Capital at end of year	\$612,528,569	\$607,929,595

All retail stores also take orders for catalog merchandise. Experienced sales personnel assist the customer in making catalog selections.

Customers' time payment accounts increased by more than \$36,000,000 as more people availed themselves of Wards credit facilities.



Auditors' Certificate

*To the Stockholders and Board of Directors,
Montgomery Ward & Co., Incorporated:*

We have examined the statement of financial condition of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1956, and the related statements of earnings, earnings reinvested, and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended January 31, 1955.

In our opinion, the accompanying statement of financial condition and related statements of earnings, earnings reinvested, and changes in working capital present fairly the financial position of the Company as of January 31, 1956, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Chicago, Illinois
March 9, 1956*

Arthur Andersen & Co.

**Aggressive merchandising, better displays and a wider choice
of attractive items brought increased business to the retail stores.
The Grand River Avenue, Detroit, store is shown below.**



Comparative Statement

	January 31, 1956	January 31, 1955	January 31, 1954
Current Assets:			
Cash.....	\$ 20,420,631	\$ 23,029,279	\$ 23,155,063
U. S. Government securities.....	221,062,145	304,186,499	269,987,032
Receivables, net.....	189,725,601	147,007,516	161,001,153
Merchandise inventories.....	262,625,068	201,290,291	214,774,864
Supply inventories and prepaid catalog costs.....	16,076,273	14,865,903	15,556,397
Total current assets.....	709,909,718	690,379,488	684,474,509
Current Liabilities:			
Accounts payable.....	37,144,363	29,365,807	31,357,065
Due customers.....	7,312,913	7,290,767	7,757,527
Accrued expenses.....	17,793,880	20,043,834	15,336,920
Federal taxes on income.....	35,129,993	25,749,485	42,430,483
Total current liabilities.....	97,381,149	82,449,893	96,881,995
Working Capital	612,528,569	607,929,595	587,592,514
Properties and Equipment:			
Land.....	6,823,503	6,741,796	6,849,461
Buildings, less depreciation reserves.....	14,027,830	14,925,315	15,876,450
Fixtures and equipment, less depreciation reserves.....	8,481,181	7,284,339	8,363,425
Leasehold improvements, less amortization.....	1,733,068	1,943,639	2,082,639
Total properties and equipment, net.....	31,065,582	30,895,089	33,171,975
Total Net Assets	<u>643,594,151</u>	<u>638,824,684</u>	<u>620,764,489</u>
Stockholders' Investment:			
Capital stock.....	231,386,785	231,386,785	231,386,785
Earnings reinvested.....	412,207,366	407,437,899	389,377,704
Total stockholders' investment.....	<u>\$643,594,151</u>	<u>\$638,824,684</u>	<u>\$620,764,489</u>
Investment per share of common stock.....	\$ 95.88	\$ 95.15	\$ 92.37

of Financial Condition

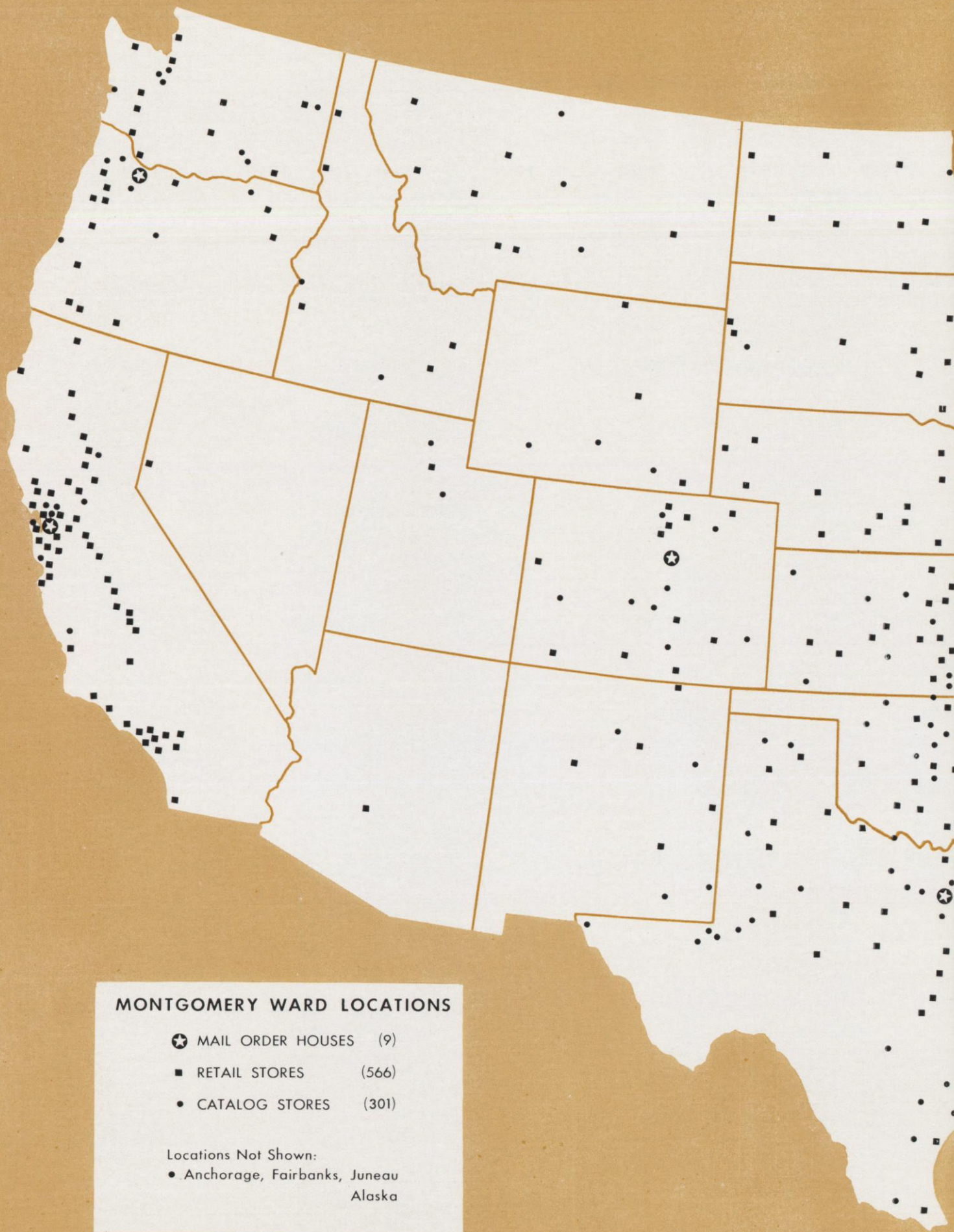
January 31, 1953	January 31, 1952	January 31, 1951	January 31, 1950	January 31, 1949	January 31, 1948	January 31, 1947
\$ 20,991,231	\$ 21,731,453	\$ 25,173,757	\$ 24,779,549	\$ 21,151,543	\$ 18,494,248	\$ 13,406,679
232,713,429	223,921,991	170,419,462	105,435,430	66,990,025	32,653,045	88,065,900
173,344,606	153,305,407	178,680,014	178,299,085	172,323,064	144,089,707	86,446,176
239,481,741	243,916,898	249,514,877	227,210,179	259,284,237	277,297,355	237,884,673
15,697,786	17,874,606	16,653,724	14,955,754	19,264,070	17,246,829	13,287,297
682,228,793	660,750,355	640,441,834	550,679,997	539,012,939	489,781,184	439,090,725
37,711,700	35,992,490	37,052,749	34,480,165	34,149,060	33,117,702	25,375,687
8,404,890	8,936,485	11,197,767	8,270,663	10,377,360	15,533,886	16,772,569
16,915,487	17,879,651	20,897,936	19,031,461	19,841,979	17,412,897	17,024,902
50,508,960	58,773,208	67,081,048	32,403,623	46,477,088	43,261,202	36,760,000
113,541,037	121,581,834	136,229,500	94,185,912	110,845,487	109,325,687	95,933,158
568,687,756	539,168,521	504,212,334	456,494,085	428,167,452	380,455,497	343,157,567
6,793,607	6,511,861	6,530,516	5,969,199	5,983,610	6,445,168	6,212,067
16,616,102	16,431,802	17,363,653	17,988,775	18,594,503	19,444,536	20,283,123
9,098,288	10,024,481	10,225,933	10,895,137	11,632,851	10,702,217	9,016,816
2,542,764	2,926,513	3,306,424	3,552,077	3,650,971	3,667,905	3,852,608
35,050,761	35,894,657	37,426,526	38,405,188	39,861,935	40,259,826	39,364,614
603,738,517	575,063,178	541,638,860	494,899,273	468,029,387	420,715,323	382,522,181
231,386,785	231,386,785	231,386,785	231,386,785	231,386,785	231,386,785	231,325,697
372,351,732	343,676,393	310,252,075	263,512,488	236,642,602	189,328,538	151,196,484
\$603,738,517	\$575,063,178	\$541,638,860	\$494,899,273	\$468,029,387	\$420,715,323	\$382,522,181
\$ 89.75	\$ 85.34	\$ 80.20	\$ 73.01	\$ 68.88	\$ 61.60	\$ 55.74

Comparative Sales, Earnings,

	1955	1954	1953
Net Sales.....	\$969,946,996	\$887,336,812	\$999,123,379
Earnings Before Taxes on Income.....	73,701,046	70,342,600	84,075,173
Federal Taxes on Income.....	38,260,000	35,110,000	42,880,000
Net Earnings.....	35,441,046	35,232,600	41,195,173
Net Earnings Per Share of Common Stock.....	5.23	5.20	6.12
Dividends—Amount.....	30,671,579	27,420,390	24,169,201
Dividends Per Share—			
Class "A" Stock.....	7.00	7.00	7.00
Common Stock.....	4.50	4.00	3.50
Percent to Net Sales—			
Cost of Merchandise Sold.....	68.3	68.2	68.1
Wages and Salaries.....	16.5	16.9	16.8
Earnings Before Taxes on Income.....	7.6	7.9	8.4
Federal Taxes on Income.....	3.9	3.9	4.3
Net Earnings.....	3.7	4.0	4.1
Number of Employees.....	53,004	48,479	53,486
Number of Stockholders.....	74,674	67,875	68,572
Number of Retail Stores.....	566	568	590
Number of Catalog Stores.....	301	274	267
Range of Common Stock Prices.....	107½–73½	85⅞–57¾	65½–53⅞

Taxes, Dividends and Statistics

1952	1951	1950	1949	1948	1947	1946
\$1,084,586,322	\$1,106,157,077	\$1,170,461,801	\$1,084,436,065	\$1,211,955,909	\$1,158,674,514	\$974,256,649
95,713,351	112,427,330	139,299,977	78,352,898	113,067,076	100,865,066	88,652,182
46,120,000	58,085,000	65,140,000	30,565,000	44,835,000	41,815,000	36,370,000
49,593,351	54,342,330	74,159,977	47,787,898	68,232,076	59,050,066	52,282,182
7.41	8.14	11.19	7.13	10.28	8.86	7.83
20,918,012	20,918,012	27,420,390	20,918,012	20,918,012	20,918,012	19,601,245
7.00	7.00	7.00	7.00	7.00	7.00	7.00
3.00	3.00	4.00	3.00	3.00	3.00	3.00
68.2	67.3	66.9	70.1	69.0	69.0	68.1
15.9	15.5	14.6	15.0	14.3	14.5	15.2
8.8	10.2	11.9	7.2	9.3	8.7	9.1
4.2	5.3	5.6	2.8	3.7	3.6	3.7
4.6	4.9	6.3	4.4	5.6	5.1	5.4
60,070	60,195	65,108	62,383	67,676	73,062	82,612
68,608	68,205	68,168	68,350	69,419	70,109	69,208
599	606	614	621	621	622	628
255	249	250	260	266	254	215
65¾-55½	75⅞-62¾	71-49⅛	59⅜-47⅜	65-47¼	64⅞-49	104¼-55½



MONTGOMERY WARD LOCATIONS

- ★ MAIL ORDER HOUSES (9)
- RETAIL STORES (566)
- CATALOG STORES (301)

Locations Not Shown:

- Anchorage, Fairbanks, Juneau
Alaska

